

Message Text

UNCLASSIFIED

PAGE 01 TOKYO 13056 01 OF 03 190853Z
ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 L-03 H-02 CIAE-00 DODE-00
INR-10 NSAE-00 PA-02 ICA-20 SP-02 DOE-15 SOE-02
AGRE-00 CTME-00 ITC-01 AID-05 COME-00 EB-08
FRB-01 XMB-04 OPIC-06 LAB-04 SIL-01 OMB-01 NSC-05
SS-15 STR-07 CEA-01 /140 W
-----088082 190928Z /15

P 190833Z JUL 78

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC PRIORITY 9723

TREASURY/DEP WASHDC PRIORITY

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

UNCLAS SECTION 01 OF 03 TOKYO 13056

USEEC

USOECN ALSO FOR EMBASSY

E.O. 11652: N/A

TAGS: EFIN, JA

SUBJECT: FINANCIAL AND ECONOMIC DEVELOPMENTS - JULY 13-19

1. SUMMARY: PUBLIC POSITIONING ON SHAPE AND SIZE OF
POSSIBLE SUPPLEMENTARY FISCAL MEASURES PICKS UP AFTER
PRIME MINISTER REITERATES COMMITMENT TO TAKE NECESSARY
MEASURES TO MEET OFFICIAL GROWTH OBJECTIVES. JUNE
CURRENT ACCOUNT SURPLUS EXPECTED TO BE NEAR RECORD AFTER
RELEASE OF CUSTOMS TRADE DATA SHOWING SHARP DROP IN IM-
PORTS DUE TO AN EXCEPTIONALLY LARGE ERRATIC \$1.5 BIL DROP
IN OIL IMPORTS. EVIDENCE OF FOREIGN MARKET RESISTANCE TO
YEN BOND ISSUES APPEARS THOUGH HIGH LEVEL OF FOREIGN YEN
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 TOKYO 13056 01 OF 03 190853Z

BOND ISSUES EXPECTED TO PERSIST IN JULY-SEP QUARTER.
LABOR MARKET CONDITIONS DETERIORATED IN MAY WHILE WHOLESALE
PRICES DIPPED 0.4 PCT IN JUNE. MINOR REVISIONS LEAVE
INDUSTRIAL PRODUCTION FIGURES FOR MAY AT SAME LEVEL AS
PRELIMINARY ESTIMATE, UP 0.3 PCT. END SUMMARY.

2. PRIME MINISTER FUKUDA'S REITERATION AT THE SUMMIT THAT

JAPAN WOULD TAKE APPROPRIATE MEASURES AS NEEDED TO MEET JAPAN'S GROWTH OBJECTIVES HAS BEEN FOLLOWED BY A FLURRY OF COMMENT FROM KEY OFFICIALS. MUCH OF THE COMMENT APPEARS TO BE POSITIONING DESIGNED TO INFLUENCE THE SHAPE AND SCOPE OF ANY SUPPLEMENTARY MEASURES THAT MIGHT BE TAKEN AFTER THE AUG OR SEP REVIEW OF ECONOMIC DEVELOPMENTS. ECONOMIC PLANNING AGENCY DIRECTOR GENERAL MIYAZAWA REPORTEDLY TOLD REPORTERS HE SAW NO REASON TO CONSIDER AN INCOME TAX CUT SINCE CONSUMER SPENDING WAS IMPROVING AND A SUBSEQUENT TAX HIKE MIGHT BECOME NECESSARY TO COVER THE HUGE BUDGET DEFICIT. HE THOUGHT ADDITIONAL PUBLIC WORKS SPENDING MIGHT BE CONSIDERED. FINANCE MINISTER MURAYAMA, TRAVELING WITH THE PRIME MINISTER, IS QUOTED AS SAYING EFFORTS TO STIMULATE DOMESTIC DEMAND SHOULD CONTINUE TO STRESS PUBLIC WORKS RATHER THAN TAX CUTS. HE ALSO SAID IT MIGHT BE POSSIBLE TO ACCOMMODATE ANY ADDITIONAL FISCAL MEASURES THIS YEAR, SHOULD THEY BE CONSIDERED NECESSARY, BY DRAWING ON BUDGET RESERVES AND THE FISCAL LOAN AND INVESTMENT PROGRAM FUNDS RATHER THAN REQUIRING A SUPPLEMENTAL BUDGET. FOR NEXT FISCAL YEAR MURAYAMA SAID THERE WOULD BE NO CHOICE BUT TO COMPILE A STIMULATIVE BUDGET BUT THE PROBLEM WOULD BE TO RECONCILE IT WITH THE LARGE BUDGET DEFICIT. SPEAKING IN TOKYO, BANK OF JAPAN GOVERNOR MORINAGA SAID THE ECONOMIC RECOVERY HAS BEEN GAINING MOMENTUM AND THE SITUATION SHOULD BE STUDIED CAREFULLY BEFORE DECIDING ON THE ADVISABILITY OF A SUPPLEMENTARY

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 TOKYO 13056 01 OF 03 190853Z

BUDGET. HE ALSO CAUTIONED THAT THE TREND OF THE MONEY SUPPLY SHOULD BE CAREFULLY WATCHED. AMONG THOSE PUSHING FOR GREATER STIMULUS ARE MITI MINISTER KOMOTO, WHO CALLED FOR A LARGE-SCALE SUPPLEMENTARY BUDGET, AND NAKASONE, CHAIRMAN OF THE LDP POLITICAL AFFAIRS RESEARCH COUNCIL, WHO REPORTEDLY ADVOCATES AN INCOME TAX CUT. THE DEMOCRATIC SOCIALIST PARTY REPORTEDLY WILL ADVOCATE A 2 TRIL YEN SUPPLEMENTARY BUDGET INCLUDING A 1 TRIL YEN TAX CUT.

3. CUSTOMS TRADE DATA FOR JUNE, RELEASED JULY 18, SHOW SEASONALLY ADJUSTED DOLLAR IMPORTS SLUMPED 16.3 PCT DURING THE MONTH WHILE DOLLAR EXPORTS FOR THE MONTH WERE OFF 0.8 PCT. THE EXCEPTIONALLY LARGE DROP IN IMPORTS APPEARS TO BE TRACEABLE TO AN EXTRAORDINARY DROP IN OIL IMPORTS WHICH, IN VOLUME, WERE ONLY 45 PCT OF THE MAY LEVEL (N.S.A.) AND WERE ABOUT \$1.5 MIL LESS IN VALUE (N.S.A.) THAN THE MAY LEVEL. SOME DECLINE IN OIL IMPORTS HAD BEEN EXPECTED AS IMPORTERS HAD ACCELERATED PURCHASES IN MAY TO BEAT THE IMPOSITION OF THE PETROLEUM TAX. THE JUNE CURRENT SURPLUS (FIGURES TO BE RELEASED LATE TODAY) IS EXPECTED TO BE AT NEAR RECORD LEVELS.

4. NIHON KEIZAI DATED JULY 16 REPORTED FOREIGN SELLING OF JAPANESE BONDS HAS BEEN ACCELERATING DURING PAST WEEK PARTLY REFLECTING ANTICIPATION THAT YEN WILL NOT FURTHER STRENGTHEN AGAINST THE DOLLAR. BALANCE OF PAYMENTS DATA SHOW THAT AFTER THE ANNOUNCEMENT SUSPENDING FOREIGN PURCHASES OF SHORT AND MEDIUM-TERM SECURITIES IN MID-MARCH FOREIGN INVESTMENT IN JAPANESE BONDS RECORDED NET SALES IN MAY FOR THE FIRST TIME IN TWO AND A HALF YEARS. IF REDEMPTIONS ARE EXCLUDED FROM THE CALCULATION, ACCORDING TO MARKET SOURCES, FOREIGN PURCHASES OF JAPANESE BONDS CONTINUED TO EXCEED SALES OF SUCH BONDS IN MAY AND JUNE. HOWEVER, IN JULY IT IS BELIEVED THAT, EVEN EXCLUDING

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 TOKYO 13056 02 OF 03 190921Z
ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 SP-02 ICA-20 AID-05 EB-08
NSC-05 SS-15 STR-07 OMB-01 CEA-01 L-03 H-02
CIAE-00 DODE-00 INR-10 NSAE-00 PA-02 SOE-02
AGRE-00 CTME-00 ITC-01 COME-00 FRB-01 XMB-04
OPIC-06 LAB-04 SIL-01 /125 W
-----088333 190929Z /15

P 190833Z JUL 78
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC PRIORITY 9724
TREASURY/DEP WASHDC PRIORITY
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME

UNCLAS SECTION 02 OF 03 TOKYO 13056

REDEMPTIONS, FOREIGN SALES EXCEEDED PURCHASES AND IN PAST SEVERAL DAYS NET SALES AMOUNTED TO \$20-30 MIL A DAY. MARKET SOURCES ATTRIBUTE ACCELERATED FOREIGN BOND SELLING TO (1) GROWING FEELING THAT YEN RATE HAS REACHED A CEILING AND (2) DECLINING BOND PRICES ON THE SECONDARY BOND MARKET.

5. ELECTRICITE DE FRANCE AND SPANISH GOVT HAVE REPORTEDLY DECIDED TO POSTPONE THE YEN BOND ISSUES THEY HAD PLANNED TO ISSUE DURING SEPTEMBER. PRESS STORIES RAYORT THAT FOREIGN ISSUERS ARE UNHAPPY WITH RISING INTEREST RATES ON

SUCH ISSUES WHILE UNCERTAINTY ABOUT MOVEMENT OF YEN/
DOLLAR RATE ALSO ENCOURAGED THE DECISION. RISING INTEREST
RATES ON FOREIGN YEN BOND ISSUES HAS BEEN ATTRIBUTED, IN
PART, TO A DECLINE IN FOREIGN DEMAND FOR THEM. IN JULY
THE WORLD BANK PLACED 15-YEAR YEN BONDS AMOUNTING TO 75
BIL YEN WITH A COUPON RATE OF 6.5 PCT, HIGHER THAN THE
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 TOKYO 13056 02 OF 03 190921Z

6.3 PCT ON THE ASIAN DEVELOPMENT BANK BONDS OFFERED IN
EARLY JUNE. FOLLOWING ARE FOREIGN YEN BOND ISSUES PLACED
IN JULY AND PLANNED FOR AUG (PUBLIC PLACEMENT; AMOUNT
OFFERED SHOWN IN PAREN IN BIL YEN), ACCORDING TO NOMURA
SECURITIES CO.:

JULY AUG

BANQUE FRANCAISE DU DANISH GOVT (40)
COMMERCE EXTERIEUR (30)

BRAZILIAN GOVT (30) NEW ZEALAND GOVT (50)

WORLD BANK (75)

IN THE SECOND QUARTER FOREIGN YEN BOND ISSUES ACCELERATED
RAPIDLY AND AMOUNTED TO 237 BIL YEN COMPARED WITH THE 170
BIL YEN IN THE FIRST QUARTER. FOR THE JULY-SEP QUARTER
THEY ARE EXPECTED TO RUN AROUND 225 BIL YEN.

6. LABOR CONDITIONS DETERIORATED IN MAY. THE NUMBER OF
UNEMPLOYED, S.A., INCREASED BY 50,000 PERSONS TO 1.27 MIL,
BRINGING THE UNEMPLOYMENT RATE UP TO 2.3 PCT FROM THE 2.2
PCT IN APRIL. (NOTE: PRIME MINISTER'S OFFICE USING
DIFFERENT SEASONAL FACTORS THAN ECONOMIC PLANNING AGENCY
ALSO REPORTS THAT MAY UNEMPLOYMENT RATE WAS 2.3 PCT.)
OVERTIME WORKED IN MANUFACTURING INDUSTRIES DECLINED
WHILE JOB OFFERS/APPLICANTS RATIO DETERIORATED. MAY INDEX
OF UNIT LABOR COST SHOWS SOME IMPROVEMENT.

LABOR CONDITIONS, S.A.

JEI NO. SERIES (UNIT) MARCH APRIL MAY
UNCLASSIFIED

UNCLASSIFIED

PAGE 03 TOKYO 13056 02 OF 03 190921Z

385 JOB OFFERS/APPLICANTS RATIO 0.55 0.55 0.53

401 MFG OVERTIME (1975 EQUALS

- 100 146.2 149.8 146.9

378 UNEMPLOYED (THOUSANDS) 1180 1220 1270

379 UNEMPLOYMENT RATE (PCT) 2.1 2.2 2.3

421 UNIT LABOR COST (1975

- EQUALS 100) 105.4 101.0 100.2

402 WAGES (1975 EQUALS 100; ALL

- INDUSTRIES) 130.8 131.1 129.6

- JAN FEB MAR

N/A LABOR PRODUCTIVITY (1975

- EQUALS 100; MACHINERY

- INDUSTRY) 122.5 127.0 129.9

NOTE: ALL DATA ARE SEASONALLY ADJUSTED BY EPA.

7. WHOLESALE PRICE INDEX, N.S.A., FELL 0.4 PCT IN JUNE, FOLLOWING THE 0.3 PCT ADVANCE IN MAY. WHOLESALE PRICE INDEX OF MANUFACTURED GOODS ALSO DECLINED 0.4 PCT IN JUNE. FOR APRIL-JUNE QUARTER AS A WHOLE, WHOLESALE PRICE INDEX OF ALL COMMODITIES CONTINUED TO DECLINE WHILE WHOLESALE PRICES FOR MANUFACTURES REMAINED UNCHANGED (TOKYO 12820).

8. REVISED INDEX OF MINING AND MANUFACTURING PRODUCTION, S.A., REMAINED UNCHANGED IN MAY FROM THE PRELIMINARY

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 TOKYO 13056 03 OF 03 190923Z
ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 SP-02 ICA-20 AID-05 EB-08
NSC-05 SS-15 STR-07 OMB-01 CEA-01 L-03 H-02
CIAE-00 DODE-00 INR-10 NSAE-00 PA-02 DOE-15 SOE-02
AGRE-00 CTME-00 ITC-01 COME-00 FRB-01 XMB-04
OPIC-06 LAB-04 SIL-01 /140 W
-----088347 190931Z /15

P 190833Z JUL 78
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC PRIORITY 9725
TREASURY/DEP WASHDC PRIORITY

INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME

UNCLAS SECTION 03 OF 03 TOKYO 13056

ESTIMATE, UP 0.3 PCT OVER THE PRIOR MONTH'S LEVEL.
PRODUCERS' SHIPMENTS HAVE BEEN REVISED DOWNWARD AND NOW
SHOW A 1.3 PCT INCREASE INSTEAD OF THE PRELIMINARY
ESTIMATE OF 1.5 PCT INCREASE. REVISED INDEX OF INVENTORIES
RECORDED A SMALLER DECLINE OF 0.3 PCT THAN THE PRELIMINARY
ESTIMATE OF 0.7 PCT. CAPACITY UTILIZATION RATIO, S.A.,
SHOWS A STRONG IMPROVEMENT IN MAY, UP 1.4 PCT, AFTER THE
DETERIORATION IN APRIL (TOKYO 12818).

9. CORRECTIONS: IN PARA 2 ABOVE, REFERENCE SHOULD BE TO
LDP POLICY (NOT POLITICAL) AFFAIRS RESEARCH COUNCIL. IN
PARA 3 ABOVE, DECLINE IN OIL IMPORTS SHOULD READ \$1.5 BIL
NOT MIL. MANSFIELD

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC DEVELOPMENT, DATA, FINANCIAL TRENDS
Control Number: n/a
Copy: SINGLE
Draft Date: 19 jul 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978TOKYO13056
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780296-0093
Format: TEL
From: TOKYO USEEC
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780741/aaaabieu.tel
Line Count: 298
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 89743570-c288-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1950356
Secure: OPEN
Status: NATIVE
Subject: FINANCIAL AND ECONOMIC DEVELOPMENTS - JULY 13-19
TAGS: EFIN, ECON, JA
To: STATE TRSY
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/89743570-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014